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Peru

Agricultural Situation

Turmoil in Peru's Agricultural Sector

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Report Highlights:

The GOP is facing various protests by agricultural producers, especially producers of corn, rice, cotton and potatoes. Several organizations, including rice producers, took control of the city of Tarapoto (on the eastern slopes of the Andes) in the past week.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lima [PE1], PE

Turmoil in Peru's Agricultural Sector

News out of Tarapoto:

The GOP is facing various protests by agricultural producers, especially producers of corn, rice, cotton and potatoes. Several organizations, including rice producers, took control of the city of Tarapoto (on the eastern slopes of the Andes) in the past week. About 5,000 people invaded the airport and a bus with tourist was attacked. A mob also assaulted and robbed the SUNAT office (Peruvian tax authority). Although these activities were started by rice producers protesting low prices, leadership of the demonstrations was quickly taken over by groups of extremists.

The social unrest that we are now seeing in Tarapoto is a copy of what has occurred recently in Arequipa, Ica, Cusco and Huancayo. Usually these riots start as protests by agricultural producers (corn, potato, cotton and rice) demanding better prices, but are then used and lead by individuals or political groups with broader political interests, including winning votes in the upcoming regional elections.

Demands:

There are a wide range of demands, from the resignation of the Minister of Agriculture to eliminate the accident insurance for motor vehicles. The most frequently made agricultural demands are:

- Increase government purchases of local crops (in the case of Tarapoto, rice).
- Higher import tariffs for agricultural products.
- Loan forgiveness.
- Eliminate the tax on locally produced products.

Peru's import duties for agricultural products are already high, more than 25 percent in the case of rice. Rice imports have gone from 430,000 Metric Tons in 1996 to less than 80,000 Metric Tons in 2001. Rice imports into Peru are less than 5 percent. Currently, the price of rice in Peru is 50 percent higher than world prices (including freight). The same is true for corn.

Government Action:

The GOP has agreed to take the following actions in response to the protests in Tarapoto:

- Create a high level committee, led by the Minister of Agriculture, to discuss producers' demands.
- Increase government purchases of rice by 5,000 MT totaling 11,500 MT this year.
- Purchase 500 MT of other products such as plantain meal and corn meal.
- Coordinate with the Minister of Foreign Affairs to promote exports of 15,000 MT of rice